

CITY OF ROZEL, KANSAS

FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

VONFELDT, BAUER & VONFELDT, CHTD.

Certified Public Accountants

Larned, Kansas 67550

CITY OF ROZEL, KANSAS

Financial Statements
For the Year Ended December 31, 2011

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VONFELDT, BAUER & VONFELDT, CHTD.

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Rozel, Kansas

We have audited the accompanying financial statements of the City of Rozel, Kansas, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the City of Rozel, Kansas' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the guidance in the Kansas Municipal Audit Guide. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, the City has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Rozel, Kansas as of December 31, 2011, or the changes in its financial position, or where applicable, its cash flows for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City of Rozel, Kansas, as of December 31, 2011 and its cash receipts and expenditures, and budget to actual comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

The schedules presented as additional information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The additional schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

VONFELDT, BAUER & VONFELDT, CHTD.
Certified Public Accountants

April 2, 2012

CITY OF ROZEL, KANSAS
Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended December 31, 2011

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances
Governmental Type Funds:		
General Fund	\$ 48,981.21	\$ 0.00
Special Revenue Funds:		
Law Enforcement Fund	7,398.95	0.00
Special Highway Fund	10,347.42	0.00
Fire Donations Fund	7,253.02	0.00
Park Donations Fund	724.49	0.00
Debt Service Fund:		
Water Debt Service Fund	0.00	0.00
Capital Projects Fund:		
Water Treatment Project Fund	(107,323.49)	0.00
Proprietary Type Funds:		
Enterprise Funds:		
Gas Utility Fund	120,883.92	0.00
Water Utility Fund	48,881.89	0.00
Sewer Utility Fund	10,816.14	0.00
Total Reporting Entity (Memorandum Only)	<u>\$ 147,963.55</u>	<u>\$ 0.00</u>

The notes to the financial statements are an integral part of this statement.

<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
\$ 126,270.83	\$ 155,788.76	\$ 19,463.28	\$ 2,758.81	\$ 22,222.09
0.00	1,361.61	6,037.34	0.00	6,037.34
4,070.98	2,007.62	12,410.78	0.00	12,410.78
10,011.79	9,327.92	7,936.89	2,580.00	10,516.89
0.00	669.94	54.55	0.00	54.55
20,500.00	19,542.13	957.87	0.00	957.87
115,077.66	3,520.84	4,233.33	0.00	4,233.33
119,491.49	142,380.48	97,994.93	7,672.22	105,667.15
38,084.44	43,850.61	43,115.72	446.31	43,562.03
<u>13,352.35</u>	<u>6,897.44</u>	<u>17,271.05</u>	<u>41.92</u>	<u>17,312.97</u>
<u>\$ 446,859.54</u>	<u>\$ 385,347.35</u>	<u>\$ 209,475.74</u>	<u>\$ 13,499.26</u>	<u>\$ 222,975.00</u>

CITY OF ROZEL, KANSAS
Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended December 31, 2011

Balance to be Accounted for:	<u>\$ 222,975.00</u>
Composition of Cash:	
City Accounts:	
Checking Account - Nekoma State Bank, Burdett, Kansas	4,233.33
NOW Account - Nekoma State Bank, Burdett, Kansas	137,326.09
Plus Deposits in Transit	60.00
Less Outstanding Checks	(624.26)
MMA Account - Nekoma State Bank, Burdett, Kansas	54,565.01
Certificates of Deposit - Bank of the West, Larned, Kansas	<u>27,414.83</u>
Total Reporting Entity	<u>\$ 222,975.00</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROZEL, KANSAS
Summary of Expenditures - Actual and Budget
(Budgeted Funds Only)
For the Year Ended December 31, 2011

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>
Governmental Type Funds:		
General Fund	\$ 200,000.00	\$ 0.00
Special Revenue Funds:		
Law Enforcement Fund	6,500.00	0.00
Special Highway Fund	12,000.00	0.00
Fire Donations Fund	10,000.00	0.00
Park Donations Fund	5,000.00	0.00
Debt Service Fund:		
Water Debt Service	25,000.00	0.00
Proprietary Type Funds:		
Enterprise Funds:		
Gas Utility Fund	255,000.00	0.00
Water Utility Fund	81,000.00	0.00
Sewer Utility Fund	20,000.00	0.00

The notes to the financial statements are an integral part of this statement.

<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
\$ 200,000.00	\$ 155,788.76	\$ (44,211.24)
6,500.00	1,361.61	(5,138.39)
12,000.00	2,007.62	(9,992.38)
10,000.00	9,327.92	(672.08)
5,000.00	669.94	(4,330.06)
25,000.00	19,542.13	(5,457.87)
255,000.00	142,380.48	(112,619.52)
81,000.00	43,850.61	(37,149.39)
20,000.00	6,897.44	(13,102.56)

CITY OF ROZEL, KANSAS
GENERAL FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

	Current Year		
	Actual	Budget	Variance Over (Under)
Cash Receipts			
Taxes and Shared Revenue:			
Ad Valorem Property Tax	\$ 64,438.63	\$ 67,059.00	\$ (2,620.37)
Delinquent Tax	3,560.00	500.00	3,060.00
Motor Vehicle Tax	12,424.01	14,297.00	(1,872.99)
Recreational Vehicle Tax	43.31	48.00	(4.69)
16/20M Tax	0.00	462.00	(462.00)
Sales Tax	13,483.56	13,000.00	483.56
Franchise Fees	4,755.39	5,000.00	(244.61)
Fire Protection	5,201.20	7,000.00	(1,798.80)
Reimbursements	4,356.08	0.00	4,356.08
Miscellaneous	522.62	500.00	22.62
Sales Tax Collections	2,412.63	2,000.00	412.63
Interest on Idle Funds	340.19	750.00	(409.81)
Community Center Receipts	750.00	2,000.00	(1,250.00)
Late Charges	5,779.31	6,000.00	(220.69)
Pride	8,203.90	5,000.00	3,203.90
Total Cash Receipts	<u>126,270.83</u>	<u>\$ 123,616.00</u>	<u>\$ 2,654.83</u>
Expenditures			
Salaries	24,134.04	35,500.00	(11,365.96)
Utilities	15,647.71	30,000.00	(14,352.29)
Repairs	3,914.67	30,000.00	(26,085.33)
Office Expense	3,290.71	10,000.00	(6,709.29)
Dues & Continuing Education	4,280.29	2,000.00	2,280.29
Professional Fees	11,964.41	15,000.00	(3,035.59)
Supplies	15,597.93	10,000.00	5,597.93
Insurance	14,533.50	15,000.00	(466.50)
Street Repairs	0.00	10,000.00	(10,000.00)
Equipment Fuel	6,949.00	10,000.00	(3,051.00)
Sales Tax	4,539.98	5,000.00	(460.02)
Payroll Taxes	4,990.71	5,000.00	(9.29)
Capital Outlay	24,604.50	10,000.00	14,604.50
Fire Department Expense	10,043.02	2,000.00	8,043.02
Pride	5,359.79	10,000.00	(4,640.21)
Community Center	4,963.74	0.00	4,963.74
Miscellaneous	974.76	500.00	474.76
Total Expenditures	<u>155,788.76</u>	<u>\$ 200,000.00</u>	<u>\$ (44,211.24)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROZEL, KANSAS
GENERAL FUND (Cont'd.)
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

	<u>Current Year</u>		
	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Receipts Over (Under) Expenditures	(29,517.93)		
Unencumbered Cash, Beginning	<u>48,981.21</u>		
Unencumbered Cash, Ending	<u>\$ 19,463.28</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF ROZEL, KANSAS
LAW ENFORCEMENT FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

	Current Year		
	Actual	Budget	Variance Over (Under)
Cash Receipts			
None	\$ 0.00	\$ 0.00	\$ 0.00
Total Cash Receipts	0.00	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Expenditures			
Contractual Services	1,361.61	6,500.00	(5,138.39)
Total Expenditures	1,361.61	<u>\$ 6,500.00</u>	<u>\$ (5,138.39)</u>
Receipts Over (Under) Expenditures	(1,361.61)		
Unencumbered Cash, Beginning	<u>7,398.95</u>		
Unencumbered Cash, Ending	<u>\$ 6,037.34</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF ROZEL, KANSAS
SPECIAL HIGHWAY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

	Current Year		
	Actual	Budget	Variance Over (Under)
Cash Receipts			
State of Kansas Gas Tax	\$ 4,070.98	\$ 4,360.00	\$ (289.02)
Total Cash Receipts	<u>4,070.98</u>	<u>\$ 4,360.00</u>	<u>\$ (289.02)</u>
Expenditures			
Supplies & Repairs	2,007.62	4,000.00	(1,992.38)
Capital Outlay	<u>0.00</u>	<u>8,000.00</u>	<u>(8,000.00)</u>
Total Expenditures	<u>2,007.62</u>	<u>\$ 12,000.00</u>	<u>\$ (9,992.38)</u>
Receipts Over (Under) Expenditures	2,063.36		
Unencumbered Cash, Beginning	<u>10,347.42</u>		
Unencumbered Cash, Ending	<u>\$ 12,410.78</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF ROZEL, KANSAS
FIRE DONATIONS FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

	Current Year		Variance Over (Under)
	Actual	Budget	
Cash Receipts			
Donations	\$ 10,011.79	\$ 4,000.00	\$ 6,011.79
Total Cash Receipts	<u>10,011.79</u>	<u>\$ 4,000.00</u>	<u>\$ 6,011.79</u>
Expenditures			
Commodities	6,747.92	10,000.00	(3,252.08)
Capital Outlay	<u>2,580.00</u>	<u>0.00</u>	<u>2,580.00</u>
Total Expenditures	<u>9,327.92</u>	<u>\$ 10,000.00</u>	<u>\$ (672.08)</u>
Receipts Over (Under) Expenditures	683.87		
Unencumbered Cash, Beginning	<u>7,253.02</u>		
Unencumbered Cash, Ending	<u>\$ 7,936.89</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF ROZEL, KANSAS
PARK DONATIONS FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

	Current Year		
	Actual	Budget	Variance Over (Under)
Cash Receipts			
Donations	\$ 0.00	\$ 2,500.00	\$ (2,500.00)
Total Cash Receipts	<u>0.00</u>	<u>\$ 2,500.00</u>	<u>\$ (2,500.00)</u>
Expenditures			
Commodities	<u>669.94</u>	<u>5,000.00</u>	<u>(4,330.06)</u>
Total Expenditures	<u>669.94</u>	<u>\$ 5,000.00</u>	<u>\$ (4,330.06)</u>
Receipts Over (Under) Expenditures	(669.94)		
Unencumbered Cash, Beginning	<u>724.49</u>		
Unencumbered Cash, Ending	<u>\$ 54.55</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF ROZEL, KANSAS
WATER DEBT SERVICE FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

	Current Year		
	Actual	Budget	Variance Over (Under)
Cash Receipts			
Operating Transfer:			
From Water Utility	\$ 20,500.00	\$ 25,000.00	\$ (4,500.00)
Total Cash Receipts	<u>20,500.00</u>	<u>\$ 25,000.00</u>	<u>\$ (4,500.00)</u>
Expenditures			
Principal	5,437.13	5,437.00	0.13
Interest	14,105.00	15,065.00	(960.00)
Fees	<u>0.00</u>	<u>4,498.00</u>	<u>(4,498.00)</u>
Total Expenditures	<u>19,542.13</u>	<u>\$ 25,000.00</u>	<u>\$ (5,457.87)</u>
Receipts Over (Under) Expenditures	957.87		
Unencumbered Cash, Beginning	<u>0.00</u>		
Unencumbered Cash, Ending	<u>\$ 957.87</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF ROZEL, KANSAS
WATER TREATMENT PROJECT FUND
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2011

	<u>Current Year Actual</u>
Cash Receipts	
Federal Aid	<u>\$ 115,077.66</u>
Total Cash Receipts	<u>115,077.66</u>
Expenditures	
Capital Outlay	<u>3,520.84</u>
Total Expenditures	<u>3,520.84</u>
Receipts Over (Under) Expenditures	111,556.82
Unencumbered Cash, Beginning	<u>(107,323.49)</u>
Unencumbered Cash, Ending	<u><u>\$ 4,233.33</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF ROZEL, KANSAS
GAS UTILITY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

	Current Year		
	Actual	Budget	Variance Over (Under)
Cash Receipts			
Utility Revenues	\$ 119,041.49	\$ 140,000.00	\$ (20,958.51)
Connection Fees	<u>450.00</u>	<u>500.00</u>	<u>(50.00)</u>
Total Cash Receipts	<u>119,491.49</u>	<u>\$ 140,500.00</u>	<u>\$ (21,008.51)</u>
Expenditures			
Salaries	38,114.19	40,000.00	(1,885.81)
Repairs & Supplies	3,812.13	10,000.00	(6,187.87)
Purchased Gas	74,627.44	100,000.00	(25,372.56)
Professional Services	5,931.48	25,000.00	(19,068.52)
Utilities	1,131.24	10,000.00	(8,868.76)
Capital Outlay	<u>18,764.00</u>	<u>70,000.00</u>	<u>(51,236.00)</u>
Total Expenditures	<u>142,380.48</u>	<u>\$ 255,000.00</u>	<u>\$ (112,619.52)</u>
Receipts Over (Under) Expenditures	(22,888.99)		
Unencumbered Cash, Beginning	<u>120,883.92</u>		
Unencumbered Cash, Ending	<u>\$ 97,994.93</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF ROZEL, KANSAS
WATER UTILITY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

	Current Year		
	Actual	Budget	Variance Over (Under)
Cash Receipts			
Utility Revenues	\$ 37,934.44	\$ 40,000.00	\$ (2,065.56)
Connection Fees	150.00	150.00	0.00
Total Cash Receipts	<u>38,084.44</u>	<u>\$ 40,150.00</u>	<u>\$ (2,065.56)</u>
Expenditures			
Salaries	797.53	7,500.00	(6,702.47)
Repairs & Supplies	9,360.77	25,000.00	(15,639.23)
Utilities	7,297.76	2,000.00	5,297.76
Water Fees	1,203.55	1,000.00	203.55
Professional Services	0.00	5,000.00	(5,000.00)
Capital Outlay	4,691.00	15,000.00	(10,309.00)
Miscellaneous	0.00	500.00	(500.00)
Operating Transfer: To Water Debt Service	<u>20,500.00</u>	<u>25,000.00</u>	<u>(4,500.00)</u>
Total Expenditures	<u>43,850.61</u>	<u>\$ 81,000.00</u>	<u>\$ (37,149.39)</u>
Receipts Over (Under) Expenditures	(5,766.17)		
Unencumbered Cash, Beginning	<u>48,881.89</u>		
Unencumbered Cash, Ending	<u>\$ 43,115.72</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF ROZEL, KANSAS
SEWER UTILITY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2011

	Current Year		
	Actual	Budget	Variance Over (Under)
Cash Receipts			
Utility Revenues	\$ 13,352.35	\$ 13,000.00	\$ 352.35
Total Cash Receipts	<u>13,352.35</u>	<u>\$ 13,000.00</u>	<u>\$ 352.35</u>
Expenditures			
Salaries	0.00	5,500.00	(5,500.00)
Utilities	594.47	1,000.00	(405.53)
Repairs & Supplies	6,302.97	10,000.00	(3,697.03)
Maintenance Agreement	0.00	500.00	(500.00)
Capital Outlay	0.00	2,500.00	(2,500.00)
Miscellaneous	<u>0.00</u>	<u>500.00</u>	<u>(500.00)</u>
Total Expenditures	<u>6,897.44</u>	<u>\$ 20,000.00</u>	<u>\$ (13,102.56)</u>
Receipts Over (Under) Expenditures	6,454.91		
Unencumbered Cash, Beginning	<u>10,816.14</u>		
Unencumbered Cash, Ending	<u>\$ 17,271.05</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF ROZEL, KANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Rozel, Kansas is a municipal corporation governed by an elected six-member council. A primary government is a legal entity or public politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. The City of Rozel, Kansas has no component units as of December 31, 2011.

B. FUND ACCOUNTING

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the City of Rozel, Kansas for the year ended December 31, 2011:

GOVERNMENTAL FUNDS

General Fund--to account for all unrestricted resources except those required to be accounted for in an other fund.

Special Revenue Funds--to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

Debt Service Funds--to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt, and the financing of special assessments which are general obligations of the City of Rozel, Kansas.

Capital Projects Funds--to account for financial resources to be used for the acquisition or construction of major capital facilities.

PROPRIETARY FUNDS:

Enterprise Funds--to account for operations that are financed and operated in a manner similar to private business enterprises--where the stated intent is that the costs (expenses), including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges--or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. BASIS OF ACCOUNTING

Statutory Basis of Accounting: The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the statutory basis of accounting.

Departure from Accounting Principles Generally Accepted in the United States of America: The basis of accounting described above results in a financial statement presentation, which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

D. CASH AND INVESTMENTS

Cash balances from all funds are combined and invested to the extent available. Cash and investments consist of interest bearing checking accounts, money market accounts and certificates of deposit. Earnings from these investments are allocated to designated funds. Cash and investments are stated at cost.

E. COMPENSATED ABSENCES

Vacation Leave:

Full time employees will accrue 1 day of vacation per month of employment up to a maximum of 12 days, which cannot be used until the employee has completed 6 months of employment. After 10 years, employees will accrue 1&1/2 days of vacation per month of employment up to a maximum of 18 days. Upon separation of employment employees will be paid for any unused vacation leave, therefore, the potential liability for vacation leave as of December 31, 2011 and 2010 is \$1,440.00 and \$1,489.50, respectively, which is a net change of (\$49.50).

Sick Leave:

Full time employees will accrue 1 day of sick leave per month up to a maximum of 60 days. Upon separation of employment employees are not paid for any unused sick leave, therefore, there is no potential liability for sick leave as of December 31, 2011.

F. COMPARATIVE DATA

Comparative totals for the prior year have been presented in the accompany individual fund financial statements in order to provide an understanding of changes in the City's financial position and operation. Some prior year balances have been reclassified to conform with the current year presentation.

G. TOTAL COLUMNS (MEMORANDUM ONLY)

Total Columns on the Summary of Receipts, Expenditures and Unencumbered Cash are captioned "Memorandum Only" to indicate that they are presented only to aid in financial analysis. Interfund eliminations have not been made in the aggregation of this data; and it is, therefore, not comparable to a consolidation.

H. AD VALOREM TAX REVENUE

The determination of assessed valuation and the collection of property taxes for all political subdivisions in the State of Kansas are the responsibility of the various counties. The County Appraiser annually determines assessed valuation and the County Clerk spreads the annual assessment on the tax rolls. One-half of the property taxes are due December 20 and distributed to the City by January 20. The second half is due May 10 and distributed to the City by June 5. The City Treasurer draws available funds from the County Treasurer at designated times throughout the year.

I. REIMBURSED EXPENSES

The City records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the expenditures (or expenses) are properly offset by the reimbursements.

J. USE OF ESTIMATES

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2 - BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

Note 2 - BUDGETARY INFORMATION (Cont'd.)

Adjustment for Qualifying Budget Credits: Cities may use this line item for any budgeted fund. The adjustment would be a positive amount. All budget adjustments must be authorized by Kansas statutes. Examples include: expenditure of federal grant moneys, gifts and donations, and receipts authorized by law to be spent as if they were reimbursed expenses.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital projects funds, fiduciary funds and permanent funds.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Note 3 - COMPLIANCE WITH KANSAS STATUTES

Management is aware of no statutory violations for the period covered by the audit.

Note 4 - DEPOSITS

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk: State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk - deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. There were no designated "peak periods" during the year. All deposits were legally secured at December 31, 2011.

At December 31, 2011, the City's carrying amount of deposits was \$222,975.00 and the bank balance was \$223,539.26. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$223,539.26 was covered by federal depository insurance.

Note 5 - CAPITAL PROJECTS

Capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

	<div>Project Authorization</div>	<div>Cash Disbursements and Accounts Payable to Date</div>
Water Treatment System Improvements	\$ 1,283,500.00	\$ 1,278,568.89

Note 6 - LONG-TERM DEBT

Changes in long-term liabilities for the City for the year ended December 31, 2011, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity
General Obligation Bonds:				
Series 2010-A	3.25%	2/18/2010	\$ 384,000.00	2/18/2050
Series 2010-B	3.25%	2/18/2010	50,000.00	2/18/2050

Total Contractual Indebtedness

Compensated Absences

Total long-term debt

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	12/31/2012	12/31/2013	12/31/2014	12/31/2015
Principal:				
General Obligation Bonds:				
Series 2010-A	\$ 4,967.08	\$ 5,128.51	\$ 5,295.18	\$ 5,467.28
Series 2010-B	<u>646.75</u>	<u>667.77</u>	<u>689.48</u>	<u>711.89</u>
Total Principal	<u>5,613.83</u>	<u>5,796.28</u>	<u>5,984.66</u>	<u>6,179.17</u>
Interest:				
General Obligation Bonds:				
Series 2010-A	12,323.65	12,162.22	11,995.54	11,823.45
Series 2010-B	<u>1,604.64</u>	<u>1,583.62</u>	<u>1,561.92</u>	<u>1,539.51</u>
Total Interest	<u>13,928.29</u>	<u>13,745.84</u>	<u>13,557.46</u>	<u>13,362.96</u>
Total Principal and Interest	<u>\$ 19,542.12</u>	<u>\$ 19,542.12</u>	<u>\$ 19,542.12</u>	<u>\$ 19,542.13</u>

Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
\$ 384,000.00	\$ 0.00	\$ 4,810.73		\$ 379,189.27	\$ 12,480.00
50,000.00	0.00	626.40		49,373.60	1,625.00
434,000.00	0.00	5,437.13		428,562.87	14,105.00
1,489.50			\$ (49.50)	1,440.00	
<u>\$ 435,489.50</u>	<u>\$ 0.00</u>	<u>\$ 5,437.13</u>	<u>\$ (49.50)</u>	<u>\$ 430,002.87</u>	<u>\$ 14,105.00</u>
12/31/2016	12/31/2017 - 12/31/2021	12/31/2022 - 12/31/2026	12/31/2027 - 12/31/2031	12/31/2032 - 12/31/2036	12/31/2037 - 12/31/2041
\$ 5,644.96	\$ 31,098.95	\$ 36,491.84	\$ 42,819.95	\$ 50,245.41	\$ 58,958.54
735.02	4,049.33	4,751.54	5,575.52	6,542.37	7,676.90
6,379.98	35,148.28	41,243.38	48,395.47	56,787.78	66,635.44
11,645.76	55,354.70	49,961.81	43,633.70	36,208.23	27,495.09
1,516.38	7,207.64	6,505.44	5,681.47	4,714.62	3,580.10
13,162.14	62,562.34	56,467.25	49,315.17	40,922.85	31,075.19
<u>\$ 19,542.12</u>	<u>\$ 97,710.62</u>	<u>\$ 97,710.63</u>	<u>\$ 97,710.64</u>	<u>\$ 97,710.63</u>	<u>\$ 97,710.63</u>

Note 6 - LONG-TERM DEBT (Cont'd.)

	12/31/2042 - 12/31/2046	12/31/2047 - 12/31/2051	Total
Principal:			
General Obligation Bonds:			
Series 2010-A	\$ 69,182.62	\$ 63,888.95	\$ 379,189.27
Series 2010-B	<u>9,008.16</u>	<u>8,318.87</u>	<u>49,373.60</u>
Total Principal	<u>78,190.78</u>	<u>72,207.82</u>	<u>428,562.87</u>
Interest:			
General Obligation Bonds:			
Series 2010-A	17,271.02	5,273.96	295,149.13
Series 2010-B	<u>2,248.83</u>	<u>686.71</u>	<u>38,430.88</u>
Total Interest	<u>19,519.85</u>	<u>5,960.67</u>	<u>333,580.01</u>
Total Principal and Interest	<u>\$ 97,710.63</u>	<u>\$ 78,168.49</u>	<u>\$ 762,142.88</u>

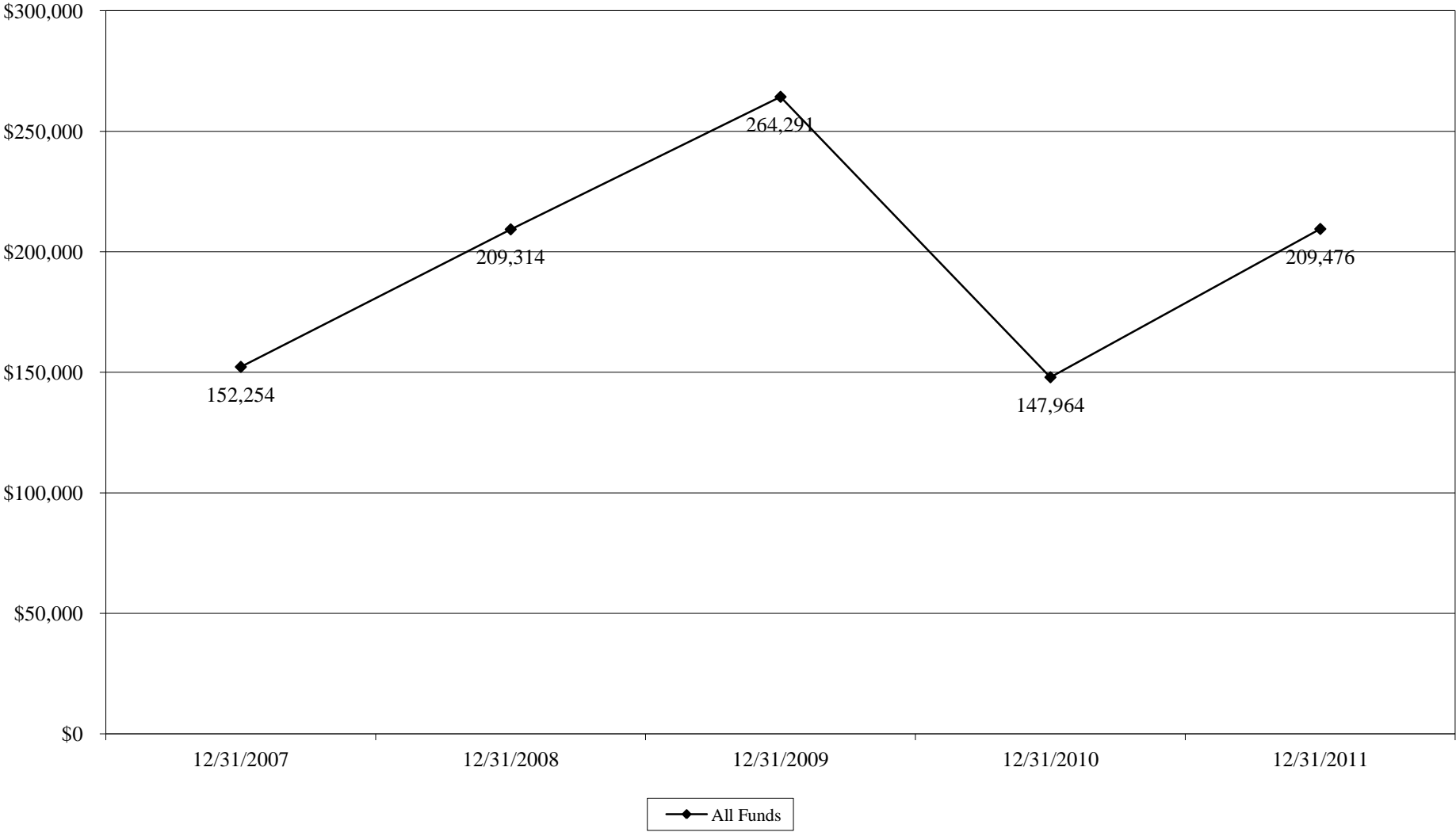
Note 7 - RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; thefts of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtains coverage from commercial insurance companies in order to effectively manage risk. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years. The City does not participate in a public entity risk pool.

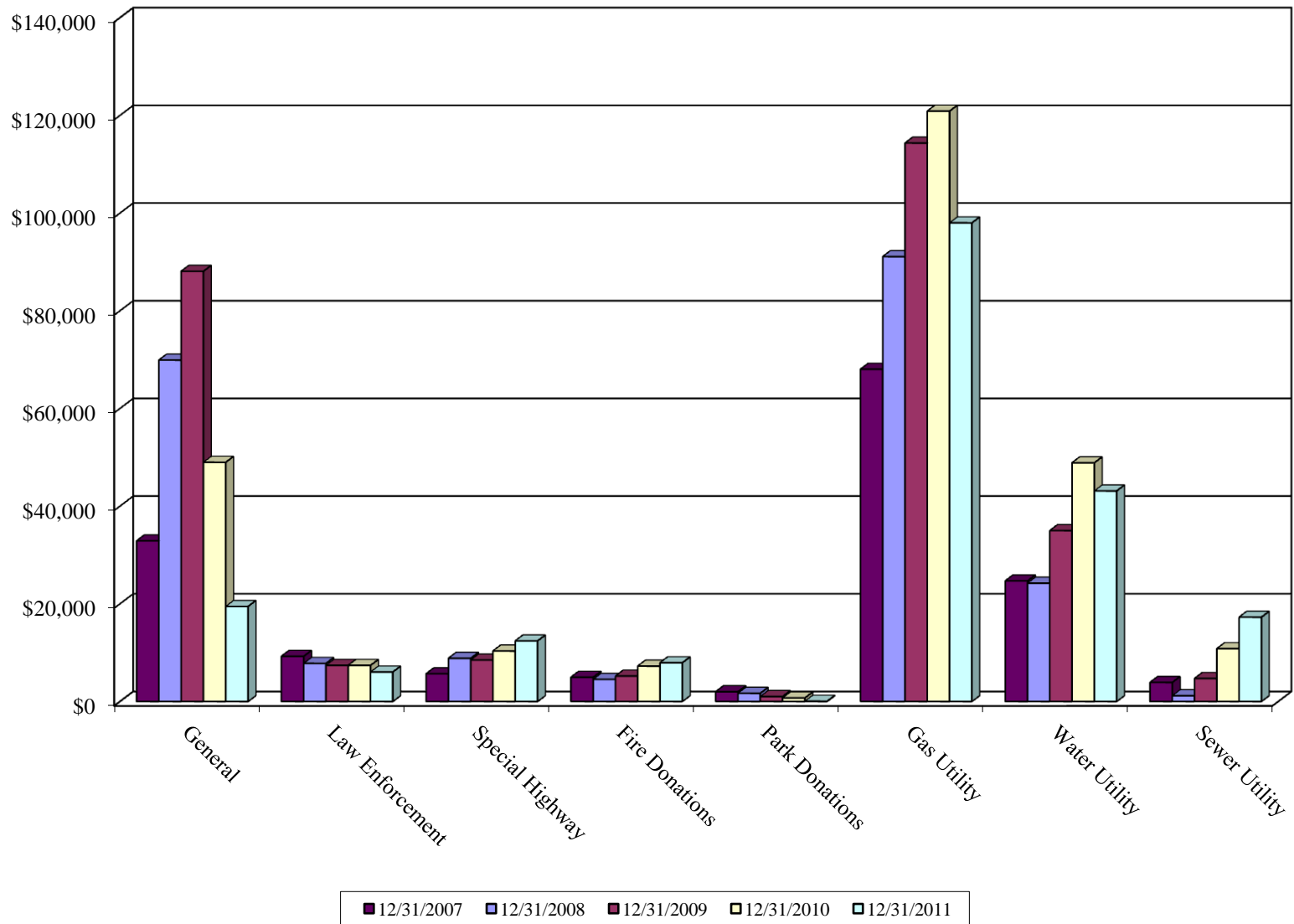
Note 9 - SUBSEQUENT EVENTS

The City has evaluated events subsequent to year end through April 2, 2012, and does not believe any events have occurred which effect the financial statements as presented.

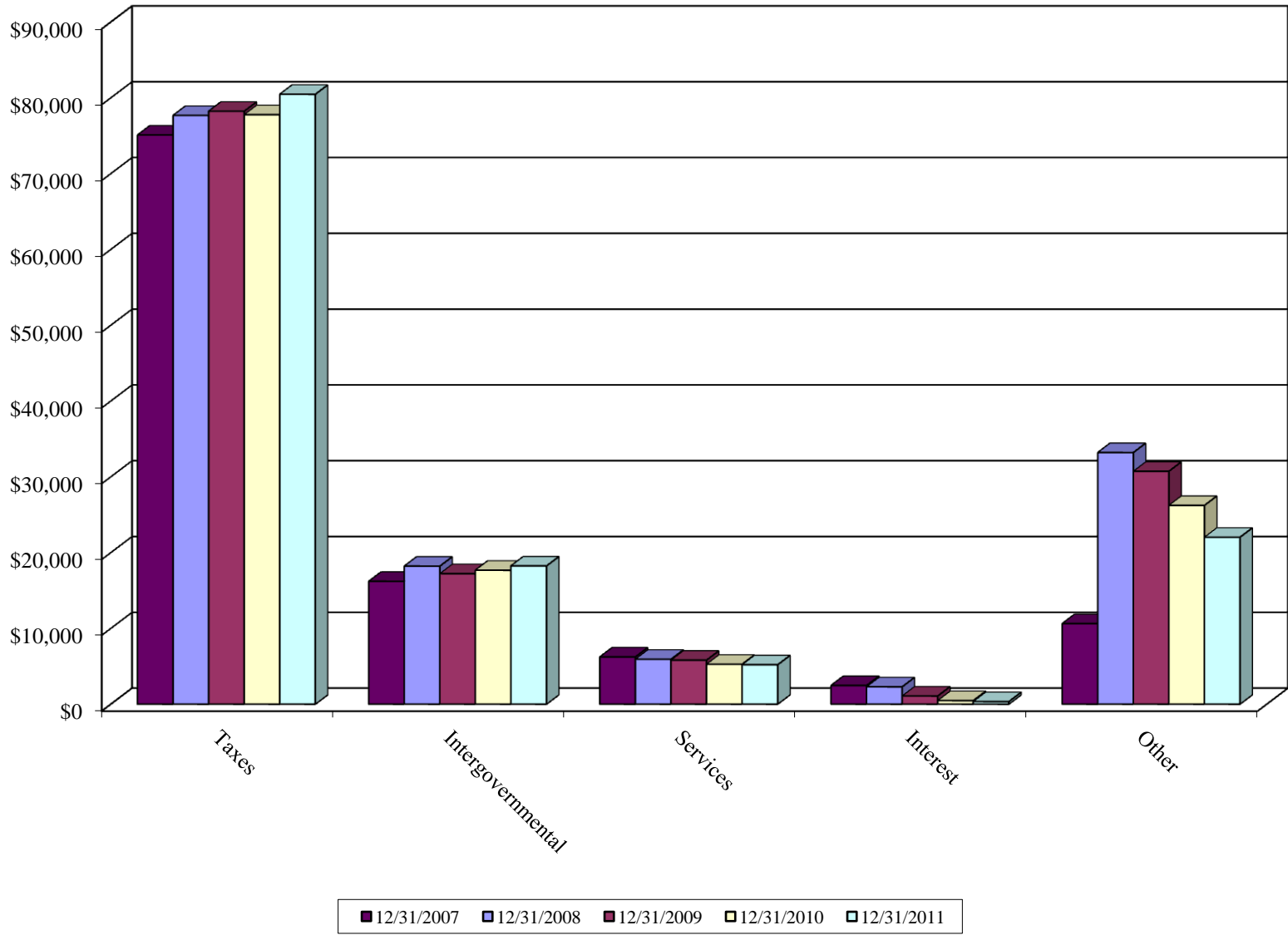
City of Rozel, Kansas
Unencumbered Cash Balance
All Funds



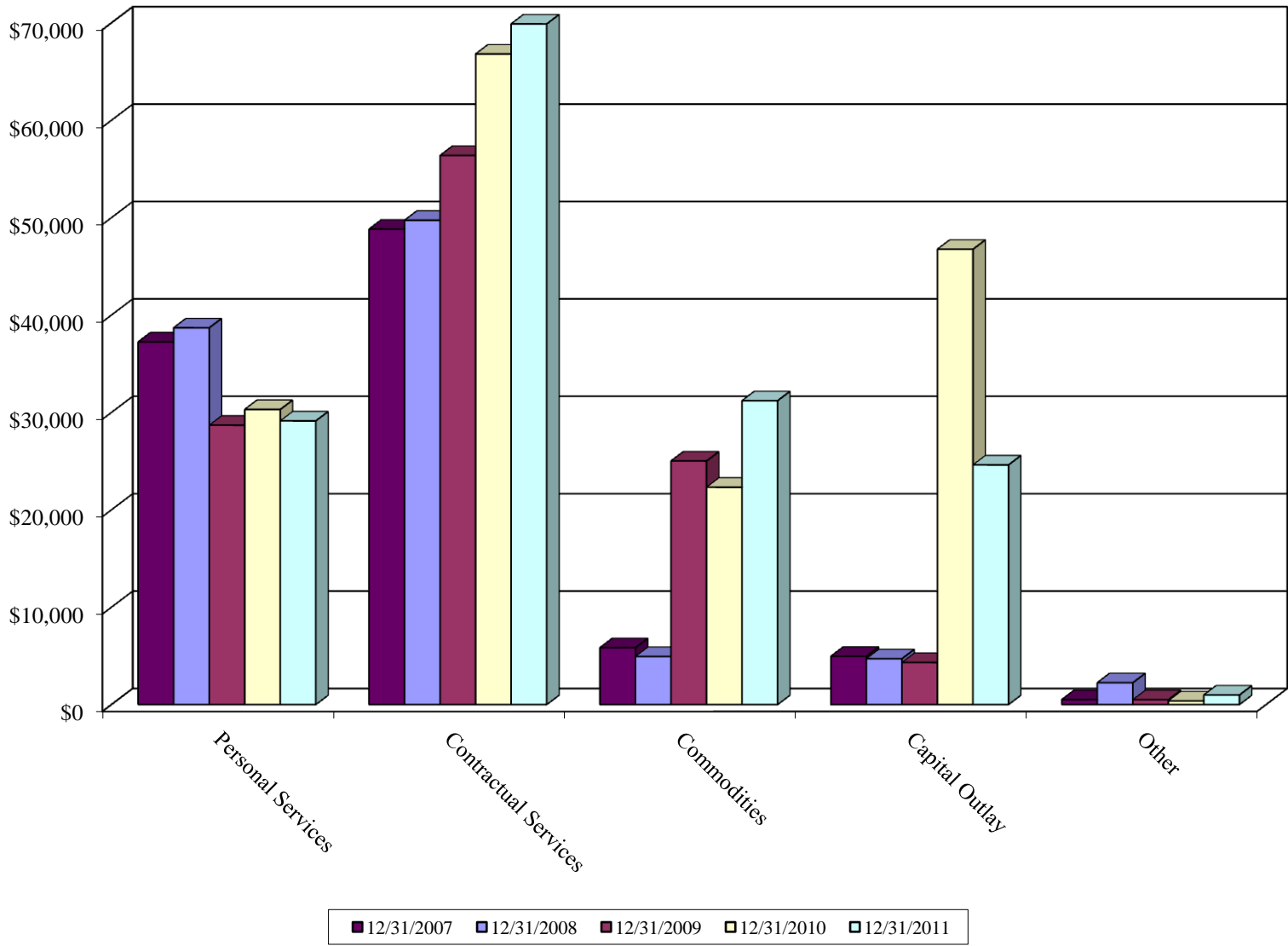
**City of Rozel, Kansas
Unencumbered Cash Balances
Selected Funds**



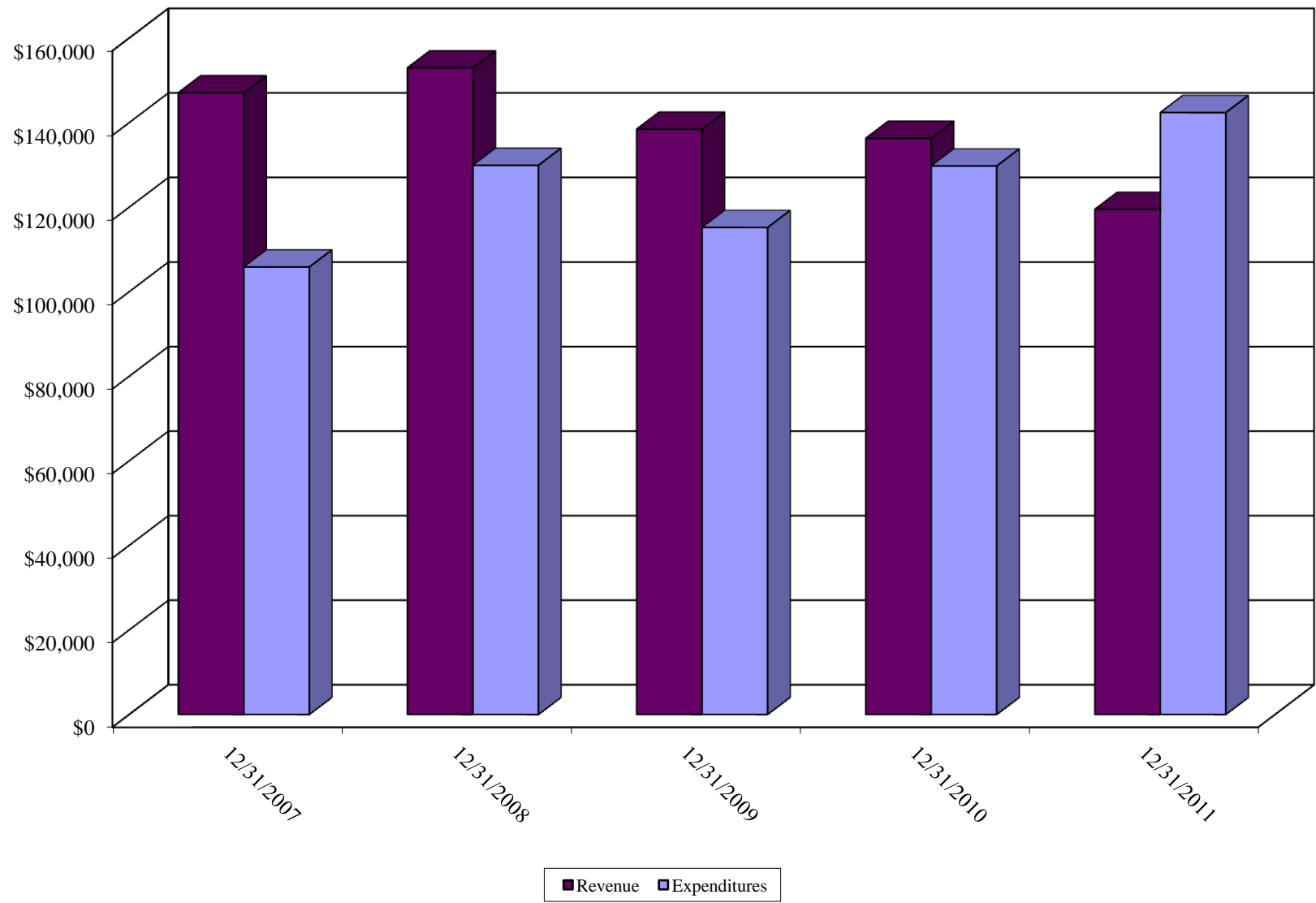
**City of Rozel, Kansas
General Fund
Revenues**



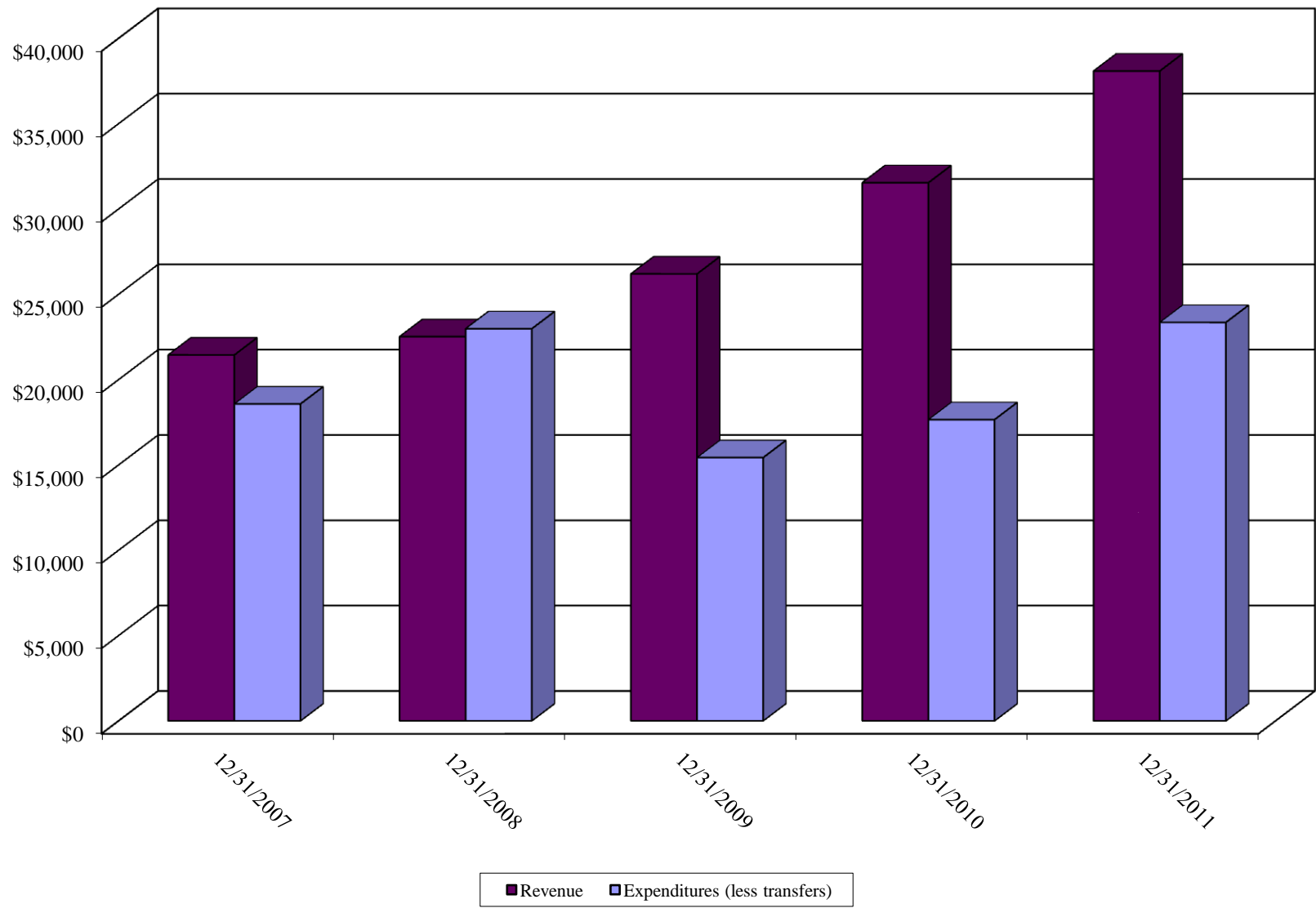
**City of Rozel, Kansas
General Fund
Expenditures**



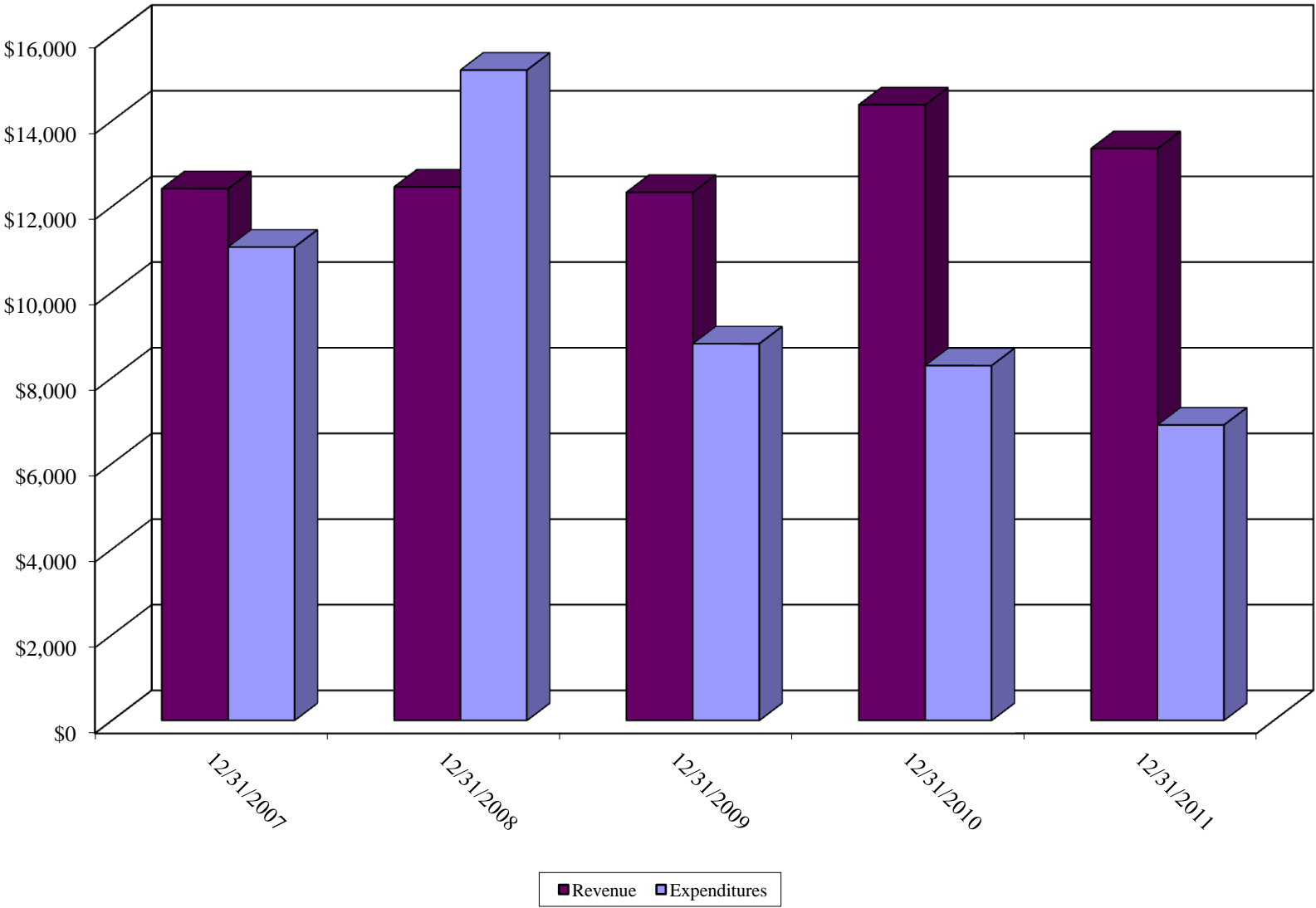
City of Rozel, Kansas
Gas Utility Fund
Revenues vs Expenditures



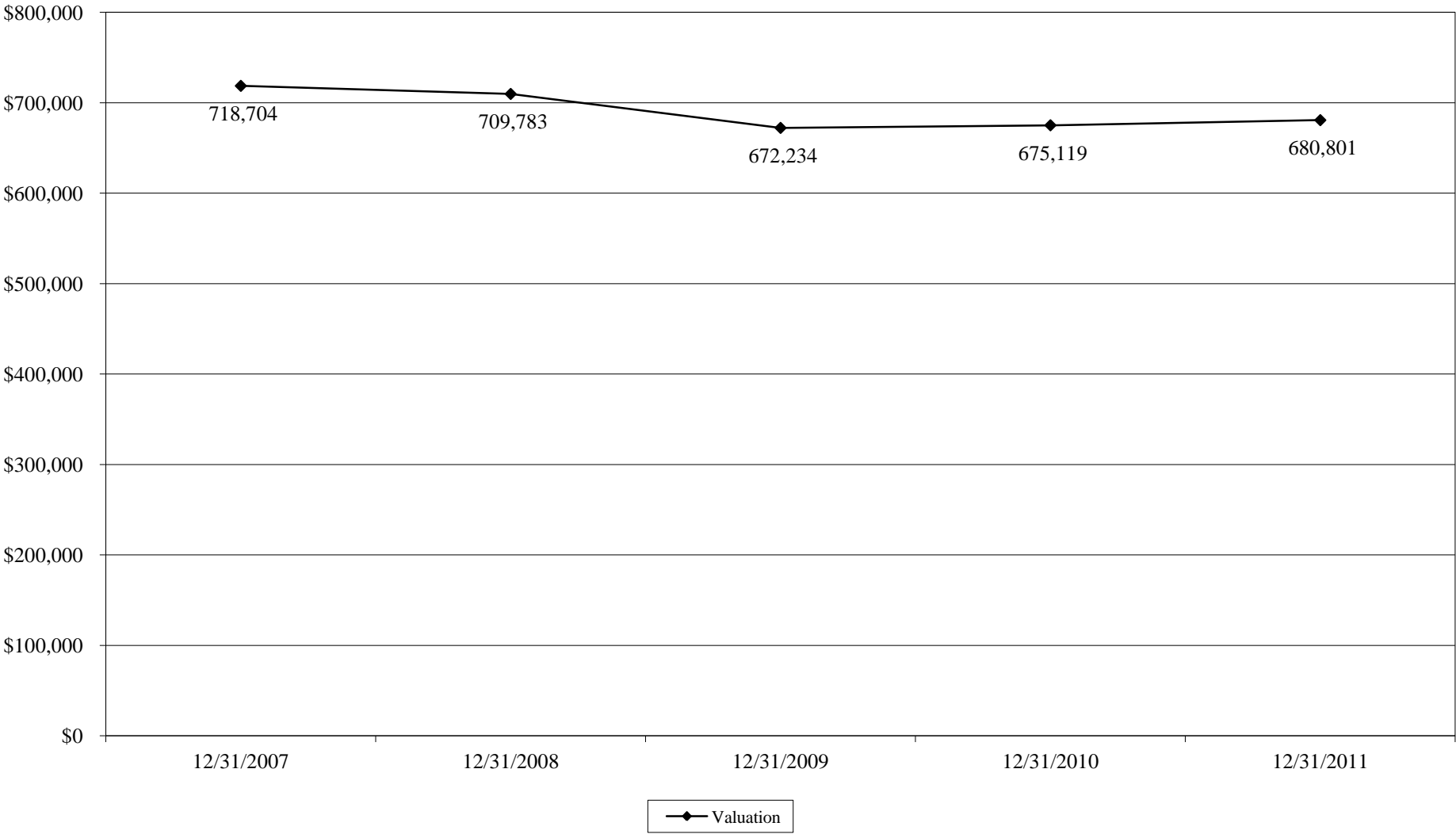
**City of Rozel, Kansas
Water Utility Fund
Revenues vs Expenditures**



**City of Rozel, Kansas
Sewer Utility Fund
Revenues vs Expenditures**



City of Rozel, Kansas Valuation



**City of Rozel, Kansas
Mill Rate**

